This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS GEORGETOWN 000281

SIPDIS

SIPDIS

E.O. 12958: N/A
TAGS: EAGR EAID ECON GY
SUBJECT: NATIONAL MILLING COMPANY FENDS OFF OPENING OF FLOUR MARKET

¶1. SUMMARY: Acting Chief Cabinent Secretary, Nanda Gopaul, announced at a March 23 press conference that the GOG had reached agreement with the National Milling Company of Guyana (NAMILCO), a subsidiary of Kansas-based Seabord Corporation, to reduce the price of flour by G$200 (US$1) per bag. The arrangement will allow NAMILCO to retain its exclusive right to import flour, despite efforts by rival wheat product manufacturers to pressure the GOG to open the import market. END SUMMARY.

¶2. Gopaul's annoucement came one day after Minister of Tourism, Industry and Commerce, Manzoor Nadir, revealed in an interview that the GOG had decided against importing flour. Since 1986, NAMILCO has had the sole right to bring flour into Guyana. As the country's only miller, the company has historically purchased wheat the GOG has received from the PL-480 program and sold it on the local market. Guyana has not received wheat through this program for the last two years, leading NAMILCO to purchase wheat in international markets.

¶3. As a result, wheat product manufacturers, specifically the Edward B. Beharry Group, began pressuring the GOG in early 2006 to open the flour market to imports, claiming that flour sourced from Mexico and Trinidad would be cheaper than that produced by NAMILCO. NAMILCO acknowledges that Trinidad has five times the production capacity and could supply enough flour for the entire CARICOM market. Advocates for importing wheat also pointed to the Caribbean Single Market Economy (CSME) as a lever for opening the market. Article 155 of the Treaty of Chaguaramas, the basis of the CSME, grants Guyana special permission to restrict wheat imports so long as it benefits from PL480. Nadir notified NAMILCO in early February that, "as a consequence of the full loss of thte Pl480 program", the GOG was to consider opening the flour market to imports.

¶4. NAMILCO then sought Embassy assistance in the matter. While the opening of the market is the GOG's decision, the Embassy did inform Nadir that Guyana's failure to secure PL480 assistance in the past few years should not be interpreted as a complete end of the program. In addition, various private sector figures, including Guyana Manufacturing Association head Norman McLean, lobbied the GOG on NAMILCO's behalf. NAMILCO also invoked concern about Guyana's food security should the mill close and Guyana become reliant on flour milled elsewhere in the region.

¶5. COMMENT: Arguments about the benefits of competition in the flour market and food security aside, NAMILCO has argued convincingly that various constraints in Guyana's business environment challenge its competitiveness. The lack of deep water port facilities limit the size of vessels to transport bulk commodities such as flour, which raises freight costs. In addition, the costs of electricity in Guyana are far higher, a complaint consistently made by the business community. While NAMILCO may have scored a short term reprieve, its long-term position against regional producers remains extremely vulnerable. END COMMENT.

BULLEN